HCTC Health Coverage Tax Credit | *Stay covered.*

Make Health Insurance More Affordable for Your Clients

The HCTC is a federal tax credit that helps individuals pay their health insurance premiums. As a tax professional, you can ensure that individuals understand the HCTC and receive this tax credit if they are eligible.

You can help your clients who are eligible for the HCTC have health coverage that they might otherwise not be able to afford.

HCTC Eligibility Requirements

The HCTC pays 80% of qualified health insurance premiums for certain trade affected workers, retirees, and their family members. To determine if individuals are eligible for the HCTC, start by asking if they are (or were during any part of the tax year):

- Pension Benefit Guaranty Corporation (PBGC) payees and are 55 years old or older, or
- Trade Adjustment Assistance (TAA) recipients who receive a Trade Readjustment Allowance (TRA) or unemployment insurance.
- Alternative TAA (ATAA) or Reemployment TAA (RTAA) program recipients.

If the answer to any of these questions is "yes," then you should determine if the individuals are not enrolled in Medicare. Being enrolled in Medicare disqualifies individuals from receiving the HCTC. Further, individuals cannot receive the 65% COBRA Premium Reduction and the 80% HCTC for the same month.

Finally, find out if the individuals have—or can get—health coverage from one of four types of HCTC qualified health plans:

1. COBRA.
2. State-qualified health plans, which are specially designated as qualified for the HCTC.
3. Coverage through the spouse's job.
4. Non-group/individual health plans that took effect at least 30 days before their last day of work.

To learn about the detailed eligibility requirements of the HCTC, visit <u>www.irs.gov</u> and search for "HCTC," then download a copy of the HCTC Program Kit to review with your clients.

How To Receive the HCTC

Once you determine that individuals are eligible for the HCTC, they can receive it in two ways:

- <u>Monthly</u>: The monthly options help individuals pay for health insurance as they go. They register for the monthly HCTC and have the 80% tax credit applied each month as their health plan premiums become due; or
- <u>Yearly</u>: With the yearly option, individuals pay their health plan premiums in full and then claim the credit on their federal tax return. The credit will be applied as a refund or credit toward their year-end taxes.

It also is possible to combine these two options. For January through April 2009, the tax credit is 65% of qualified premiums. The credit increases to 80% for the rest of the year.

You can help your clients understand their options with the HCTC and make informed tax decisions.

www.irs.gov
Search for "HCTC"

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